

**TITLE 326 AIR POLLUTION CONTROL BOARD****Fiscal Impact Statement**

LSA Document #05-117

Agency: Indiana Department of Environmental Management (IDEM)

Rule Number: 05-117

Topic: NO<sub>x</sub> and SO<sub>2</sub> emissions from fossil-fuel fired power plants**Rule Summary**

The proposed rules adopt NO<sub>x</sub> trading programs and a SO<sub>2</sub> trading program that builds on the existing acid rain program and NO<sub>x</sub> SIP Call trading program. These are required under the federal Clean Air Interstate Rule (CAIR), which supplements existing federal regulations to reduce NO<sub>x</sub> and SO<sub>2</sub> emissions from fossil-fuel fired power plants, thereby reducing interstate transport of air pollution.

**Fiscal Impact**

The proposed rules have minimal or no state or local fiscal impact. There is 1 local source that may have minimal impact. The other impacted entities are fossil-fuel fired power plants within Indiana and large industrial boilers. These rules are required under federal law and would apply to affected entities regardless of Indiana's rule. However, IDEM has estimated the cost of implementing the federal rule under the proposed rules in Table 1, Scenario 1. The Indiana Utility Group's estimates are in Scenario 2. The costs presented are not above and beyond what would incur from the federal program.

Table 1: CAIR Cost Summary  
(Costs are in million dollars; expressed in 2005 dollars)

Time interval	IDEM (Scenario 1)			IUG (Scenario 2)		
	I	II	III	I	II	III
Projection years	2008-2012	2013-2017	2018-2022	2007-2013	2014-2017	2018-2022
EGUs						
Retrofit controls						
Description	3 SO2 scrubbers	12 SO2 scrubbers; 10 SCRs; 25 SNCRs	17 SO2 scrubbers; 10 SCRs; 25 SNCRs	11 SO2 scrubbers	11 SO2 scrubbers; 2 SCRs	13 SO2 scrubbers; 6 SCRs
Capital cost	413	1,493	1,853	1,492	1,689	2,296
Annual cost	95	329	406	292	322	424
Total annual cost (includes all costs)	571	747	906	815	1,021	899
Impact on electricity rates	5.16%	5.97%	6.34%	6.44%	8.55%	7.63%
Non-EGUs						
Annual cost	(5)	(6)	(6)	(5)	(6)	(6)
Net annual cost	566	741	900	810	1,015	893
<b>Note:</b> Retrofit controls and costs in each time interval are cumulative of the previous time interval. Non-EGU costs are negative as revenue is projected from the sale of allowances. SCRs (selective catalytic reduction systems) and SNCRs (selective non-catalytic reduction systems) are post-combustion NO <sub>x</sub> controls.						

**Additional Rule Information**

The proposed rules replace the current NO<sub>x</sub> rules and implement NO<sub>x</sub> and SO<sub>2</sub> trading programs as required under the CAIR, which is designed to reduce NO<sub>x</sub> and SO<sub>2</sub> emissions and reduce the interstate transport of pollution. The rules are to be implemented in 2 phases over the next 9 years. These rules affect electric generating units (EGUs) but will allow other large industrial non-electric generating units (non-EGUs) affected by the emission reductions to participate in the cap and trade program for NO<sub>x</sub> during the ozone season. There are 14 utilities, operating 37 power plants, which are regulated under these rules. There are currently 9 non-EGU sources in the NO<sub>x</sub> emission trading program. The rules set emission budgets for NO<sub>x</sub> and SO<sub>2</sub> and allow compliance by emission trading. The rules are required under Indiana's delegated authority to implement the Clean Air Act ([IC 13-13-5-1](#)).

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